

Friends of the Cumbres & Toltec Scenic Railroad, Inc.
Minutes of Board Meeting Held October 29, 2005
Table Mountain Inn, Golden, Colorado

Board members present: Nan Clark, Bob Craine, Parker Fowler, Jim Herron, Ed Lowrance, Bill Lock, Phil McDonald, Jerry Sahn, Warren Smalley, Dennis Sterosky, Dan Pyzel, Tim Tennant, Richard Tower, Bob Tully, Spencer Wilson, Frank Yockey.

Board members absent: Curt Bianchi, Art Nichols, Bob Ross.

Guests: Roger Briggs, Les Clark, John Eng, George Lawrence, David Lee, Cliff Young.

1. Call to Order

Chairman Craine called the meeting to order at 8:30 a.m. MDT.

2. Approval of Meeting Minutes

Chairman Craine asked for corrections to the June 2005 Board meeting minutes, and the minutes of the July, August, and September Executive Committee meeting. There were no corrections.

M/S Tully/Sterosky to approve the June Board minutes. **Passed unanimously.**

M/S Sterosky/Yockey to approve the July E.C. minutes. **Passed unanimously.**

M/S Wilson/Yockey to approve the August E.C. corrected minutes. [Under "Old New Business" David Lee is to eventually take over the editorship as Editor of the C&TS Dispatch] **Passed unanimously.**

M/S Pyzel/Sterosky to approve the September E.C. minutes. **Passed unanimously.**

3. President's Report

President Tennant reviewed his report.

- Developments going fast at this time.
- Railroad operations in the fall were reduced from anticipated increases because of the Hurricane Katrina and high gas prices.
- There was a great deal of finger pointing between the RGRPC and the Commission as to whose fault it was that the original projections of 45,000 passengers for 2005 were incorrect. As a result of ridership being only 33,000, there is projected to be an \$800,000.00 revenue loss from the budget, which has caused hardship for the Railroad.
- There will be some critical times coming up for the Railroad in the future, even though the 2006 season is probably not in jeopardy.

- President Tennant yielded to Director Smalley who reminded us that it was important for the Friends to focus on historic preservation and not get involved in the politics of the Railroad. Smalley said that of October 28, 2005 the RGRPC had delivered a letter requesting five things of the Commission, including notice of plans for the future, Winter budget, renewal of the liability insurance, assurance of continuation of the management agreement between the Commission and the RGRPC, and a hold harmless agreement from liability in the event that RGRPC were only to hire New Mexico employees during the Winter. Smalley voiced the concern of RGRPC that the management agreement provides that there be no discrimination between New Mexico and Colorado, and it appears that that will be necessary at least in the short run. Smalley clearly stated that without insurance the RGRPC will not continue.
- President Tennant stated that he solicited a written proposal from the Railroad Commission as to a new plan for the remainder of the \$63,000.00 engine 489 grant. Chairman Craine stated that the Executive Committee had approved diverting the grant to the use of keeping the Railroad going and at this time the Railroad has postponed all plans for the restoration of engine 489. He stated that while the Commission has some \$300,000.00 in the bank, they may need as much as \$500,000.00 to \$600,000.00 to get the Railroad prepared for opening day. President Tennant stated that there is major dissatisfaction within the New Mexico Legislature over Colorado's failure to fund the Railroad in equal proportions with New Mexico. He stated that one possible option to reduce expenses is to run only out of Chama.

M/S Tully/Wilson to give President Tennant authorization to utilize 489 grant balance to the best use for the Railroad in consultation with the Executive Committee, but not to pay past-due bills of the Commission. Prior to voting a question was asked of whether this motion is within the scope of Another Century of Narrow Gauge Steam ["ACNGS"] Chairman Craine reported yes. **Passed Unanimously.**

- President Tennant stated that he had sent a letter to the Commission generally supporting the RGRPC, but stating that we were behind the Commission no matter who the operator turned out to be. President Tennant reminded the Commission that we would remain focused on our mission of historic preservation.
- President Tennant reported that we have ended the year 2005 with 2,187 members, representing 99% of the goal of 2,200 members. We were successful in obtaining 170 new members from the Trains magazine solicitation. Statistically he pointed out that we had 338 members who worked 470 work weeks during the work sessions this year, some 15% of our membership. He stated that we were successful in obtaining a \$22,843.00 grant from the Gates Family Foundation for use in the Antonito CRF and that we will present another grant request in January for the additional expenses at the Antonito CRF. President Tennant was excited to announce that we had received the \$10,000.00 Historic Preservation Reward from Trains magazine for use in the restoration of the Chama coal tipple.
- President Tennant thanked Director Tully for making the arrangements for this weekend's Board Meeting in Denver.

- President Tennant stated that we would have a major presence in next year's National Narrow Gauge Convention from August 21 to 26, 2006 in Durango. President Tennant stated that the Friends are in charge of a Narrow Gauge excursion set for Monday, August 21, 2006 and that the Railfan Committee would begin planning that trip. These conventions in Durango are extremely well attended and President Tennant estimated that there may be 2000 people in attendance.
- Finally Tim reported that he and Judy had completed their move from Wisconsin to Albuquerque, purchasing a home in Rio Rancho. He thanked all of the Board members for our support for him during his first year.
- President Tennant requested Director Lock to report on the status of the Triad Agreement. Colorado Assistant Attorney General Nancy Wahl had completed the third draft of the Agreement which was basically quite acceptable, with just a few changes. Lock had reported that he had made suggested changes and emailed those to Nancy for her consideration, and had not yet heard back from her. Craine stated that we were 98% of the way to the completion of this Agreement. Herron stated that the Board had never officially approved the Triad Agreement and he felt that it was necessary to approve it before the withdrawal of the RGRPC from the Railroad. It was agreed that we would email our approval of the Agreement or have a telephone Board Meeting to approve the Agreement once it was totally completed to our satisfaction.
- President Tennant then presented a report of the status of the C&TS Dispatch. After working on the Dispatch for three different decades, Nichols had given President Tennant notice of his desire to retire as Editor. Nichols and Tennant and others talked to Dave Lee of Santa Fe, New Mexico about being a replacement for Nichols. At this time, Lee is serving as Assistant Editor and after Nichols resignation at the end of this year, Lee is set to take over the editorship. Lee introduced himself and told the Board that he had been a member of the Friends for five years and had gone to Work Sessions and wanted to become more involved. He requested our help on text articles as well as resources. He stated that Nichols would continue to be a resource and assist him in the publication, and he pledged to use his best efforts to keep up the quality that Nichols had initiated with the newsletter.

M/S Wilson/Yockey to accept Lee as Assistant Editor of the C&TS Dispatch with thanks to Nichols for his long-time service on behalf of our organization. **Passed Unanimously.**

- President Tennant exhibited a new "purple flyer" to announce the new 2006 work sessions. He thanked Bob Ground for the new brochure. This new brochure will be mailed to members in December.

4. Financial Report

Treasurer Sterosky gave a financial report as follows:

- Sterosky reviewed the profit and loss and balance sheet and ACNGS statements. He reported that we were doing better financially this year than last and that through September we were in the black by some \$64,000.00.
- Sterosky reviewed the projected profit and loss for fourth quarter 2005 and responded to questions.
- Sterosky then introduced the preliminary 2006 budget. He stated that he was confident that this was close to the final budget except that he needed to add \$60,000.00 of projected income for ACNGS during 2006.

M/S Wilson/Lowrance to approve the preliminary budget. **Passed unanimously.**

M/S Fowler/Tully to approve the financial report through September 30, 2005. **Passed unanimously.**

- Sterosky then started describing a new subject. In the past, the Friends had accounted for prepaid dues as a liability at the end of each calendar year. This year, he stated that we are planning to accelerate \$40,000.00 of income into 2005 which will have a positive one-time effect on our budget for 2005.
- Sterosky then reviewed the 2004 audit by our CPAs. He particularly reviewed page three which shows restricted and unrestricted funds.

M/S Tully/Clark to accept the 2004 audit report. **Passed unanimously.**

- Sterosky reported that there remains approximately \$40,000.00 due on the promissory note from RGRPC to the Friends. The payment of this remaining indebtedness is somewhat in question with regard to the issues concerning future operation of the Railroad, although RGRPC is optimistic that it can be repaid. Sterosky reported that the Finance Committee had met to consider and would recommend to the Board that we accept the transfer of certain assets in partial satisfaction of the remaining balance on the note. President Tennant reported that there were two 6500 flat cars, a fire truck, a wheel lathe, a phone system and radios that were available for transfer to the Friends that would have residual value. Sterosky reported that the Finance Committee suggested we accept up to 75% of the balance owed in tangible assets in satisfaction of the remaining balance due. Sterosky did remind us of the good news that RGRPC had reduced the original indebtedness from \$95,000.00 to the present balance of approximately \$40,000.00.

5. 2006 Business Plan

Chairman Craine opened the discussion of the 2006 business plan by stating that we should try to look at progress towards our objectives at each and every Board meeting:

- A. 2005 Operating Plan. Of the fourteen points on the 2005 Operating Plan, Chairman Craine reported great progress.
- Our new CEO was hired and transitioned smoothly into the job.
 - We have basically completed the RGRPC separation.
 - We have basically achieved our membership goal.
 - We have worked hard to complete the 2005 financial year in the black.
 - We've successfully completed the first phase of the Antonito CRF.
 - We have continued to successfully be the glue that seemingly holds the Railroad together.
- B. Five Year Objectives. Chairman Craine gave a progress evaluation for 2005. He stated that directors had made very positive comments on our report card.
- C. 2006 Business Plan. President Tennant went through the 2006 business plan, starting with the strategic vision in the beginning. The plan is attached as an Exhibit to the Minutes.

M/S Yockey/Clark to approve the 2006 Business Plan. **Passed unanimously.**

- D. 2006 Membership Growth Projection. President Tennant outlined his plans to again increase membership by 10%. He stated that we would again utilize a solicitation, only this year he would attempt to use a subscriber base through Classic Trains.

6. Development Committee.

Committee Member Tower, in the absence of Chairman Ross, gave a report of the Development Committee. The Committee had met yesterday. He stated that we had made progress towards raising money, but needed to make much more progress in the future. He stated that there is a severe need to prioritize projects so that we can use those projects as a base for fundraising. He suggested that we prioritize the following projects:

- Antonito CRF Phase Two
- Chama Interpretive Center
- Interpretive Projects
- Projects Committee
- Dorman Photo Collection (see discussion later)
- ACNGS Goals, including keeping the Railroad open

- A. Fundraising. Committee Chairman Tower stated that the Grant Writing Committee had been doing good work and now we need a planned giving campaign. He pointed out the need for follow-up once we had worked on a task. Tower reminded us of the importance of the President working with volunteers to identify significant contributors and follow-up with the volunteers on their progress. He reminded all of us how important it is for members of the Board of Directors to assist in raising money to support the organization.

- B. Another Century of Narrow Gauge Steam. Chairman Craine stated how successful the Campaign had been -- over one half million dollars had been donated since the 2002 start of the Campaign. There is another \$60,000.00 anticipated to complete the initial Campaign. 650 members and a total of 700 people contributed to the Campaign. At any analysis, the Campaign has been extremely successful not only in the amount of money raised but in the purposes for which the money was used, including EDA matches, grants to the Railroad Commission, and work to build our first enclosed car restoration facility in Antonito. Chairman Craine stated that there were very few new multi-year pledges and it was time to revitalize the Campaign.

- C. Chairman Craine stated that he believed that "ACNGS" should continue as a name. We need a new brochure to update the original excellent brochure and he reported that Curt Bianchi has volunteered to re-write the brochure. The main purpose should continue to be the continued operation of the railroad and the fact that the fund would be used for restoration and interpretive purposes. Chairman Craine stated that the ACNGS should be a focus campaign and there should be a separate campaign for the Chama Interpretive Center. In addition, the new campaign should allow donors to designate the project to which they prefer their money be utilized. Chairman Craine reported on the endowment fund and raised the concept of doing away with it. Nan Clark stated that she likes the idea of the endowment. Treasurer Sterosky noted that it would be prudent and reasonable to limit designated gifts to those of \$25,000.00 and above, and also make them subject to review acceptance by the Board.

M/S Tower/Sterosky that the ACNGS be continued, a new brochure be produced with emphasis on finding projects related to continuing operation of the railroad and historic preservation, with 10% of contributions going to a strategic reserve rather than a permanent endowment. **Passed unanimously.**

7. Chama Interpretive Center Task Force

Nan Clark gave a report on the Chama Interpretive Center Task Force. She noted that Railroad Commission Chair Rey Medina said tourism should be the most important input to the local community. Mr. Medina and the Commission Executive Director Steve Malnar suggested the south end of the yard (near the exit) was the best location for an Interpretive

Center. They were concerned that the northerly location outside of the business district would not work. Director Clark reported that Mr. Malnar went to SHPO and there should be a letter forthcoming SHPO stating not to use sites A and B (the clock site or the northerly entrance).

Director Clark stated that it may be very wise for us to own the land for the Chama Interpretive Center. However, if that is the case, a big question becomes the staffing of a off-site facility, since it could not involve the operator or the Commission. She mentioned the idea of creating a local docent force supported by merchants.

Director Clark reported that the Task Force is looking at 2006 goals, including the following:

- Department of Transportation funding (a \$500,000.00 grant is presently outstanding).
- The Task Force would learn their SHPO is really limiting the Chama Interpretive Center location.
- It is still important to clean up the north end of the Chama Railroad yard.
- Terri Shaw would like to use the 1880 log bunkhouse as a site to show Railroad structures.

8. Corporate Governance

- A. A Nondiscrimination Policy was discussed. Even though the Friends have no known problems in this area, we should have a policy.

M/S Tully/Fowler to adopt policy presented by Chairman Craine. **Passed unanimously.**

- B. A Conflict of Interest Policy was discussed and a draft of a policy dated October 21, 2005 was circulated. Director Herron has done much work in this type of policy and wanted to include outlining the amount at stake. He stated that a “management plan” was the place to manage the policy. Chairman Craine stated that he will revise the Conflict of Interest Policy and present it to the March 2006 Board meeting.

- C. Chairman Craine discussed new Committee structures and charters including the Executive Committee, the Nominating Committee, the Audit Committee, and the Finance Committee. He appointed Smalley as Chair of the Nominating Committee and asked that Chairman Smalley and the Nominating Committee review the proposed committee charters.

9. Report on the 2005 Docents

Director Yockey gave a report on the Docents participation during the 2005 season. There were 31 active docents including seven new docents trained during 2005. He stated that new equipment was needed for the two open cars as well as a scanner. Chairman Craine and others stated that docents were doing an excellent job.

10. Antonito CRF

Director Lowrance gave a report on the Antonito CRF. Unfortunately, he needs to plan for a 20% increase in costs because of conditions in the construction market, and so the facility should be able to be completed for \$30,000.00. He stated that the Committee had decided after much consultation to delete the drop pit but there would be a unisex bathroom with a shower. He hoped to have the CRF totally finished by the first June 2006 Work Session. Chairman Craine raised the question of whether we advance money from ACNGS while applying for grants, which is not customary.

M/S Sterosky/Tower to authorize up to \$12,000.00 from ACNGS for advance material purchases and to apply for grants at the same time for phase two of the Antonito CRF. **Passed unanimously.**

11. Projects Committee

Projects Committee Chairman Tully reported that the 2005 Work Session Reports are done early and they were good. Having Ted Smith write and make the Reports consistent was a big plus. Hopefully Ted can go back in time and edit and review some of the past Reports so team leaders and others can see more readily what work was done in the past. Committee Chairman Tully requested an increase in the Projects Committee budget from \$53,000.00 to \$58,000.00. Director Tully initiated a discussion about how many volunteers could be accommodated during a Work Session. This year just over 130 people were in the June Work Session, which is an absolute maximum. He stated that he would try and convince people to come at different times with 120 to 125 volunteers being the limit. He even discussed the possibility of having a July 2006 work project in Antonito.

Director Tully went through the list of 2006 proposed projects, including a telegraph display. He also told about a number of old railroad cars available in the San Luis Valley including one "Gramps" tank car in excellent condition. To continue our restoration work, he stated, we definitely need more parts and those parts are available in the Valley. It was noted that this would be a perfect use for ACNGS funds to purchase such parts.

M/S Pyzel/Sahnd to authorize up to \$10,000.00 from ACNGS for the purpose of acquiring and transporting cars and parts by Director Tully and his Subcommittee if possible with advance notice to the Executive Committee. **Passed unanimously.**

Director Tully stated that he desired to acquire a steel-sided railroad boxcar for storage at the Antonito CRF, noting that semi trailers look poor on railroad property. Director Lock moved that up to \$4,000.00 be authorized to buy and transport two steel boxcars however this motion died for lack of a second. Director Lowrance noted that there would be a cost of about \$12,000.00 to put on a Miracle Truss addition to the CRF.

12. Dorman Photo Collection

President Tennant reported on the Dorman photo collection availability. The collection includes 25,000 8×10 black and white images. Mr. Dorman desires \$62,500.00 payable over three years for the purchase of the collection. He would have the collection appraised and all of the appraised value in excess of the sum of \$62,500.00 would be a donation to the Friends. President Tennant noted that this could be a major coup for the Friends to get this collection and he further said that Mr. Dorman has written the Friends into Mr. Dorman's Will. Director Wilson stated that having this collection would bring us to a different level, even though there would be much work associated with the collection. Director Wilson reminded the directors that there were no negatives with the collection. Several directors spoke in support of the acquisition.

M/S Yocky/Lowrance authorize President Tennant in conjunction with the Executive Committee to negotiate with Richard Dorman \$62,500.00 or less depending on the fair market value to be fully funded. **Passed by majority vote**

President Tennant stated that it would probably cost us an additional \$50.00 to \$75.00 per month for climate control storage for the collection. He believes that the acquisition of the collection will be fully funded by new donations to the Friends.

13. Meeting Dates for 2006

President Tennant went through possible meeting dates for 2006. Clearly the traditional time for a March meeting in Albuquerque was March 17 and 18, 2006. In addition, the annual Board meeting would be Saturday, June 17, 2006 in Chama, with the annual meeting members on Friday evening June 16, 2006. No date was set for the October 2006 meeting. There seemed to be a consensus to have meetings in new places.

M/S Sterosky/Yockey to adjourn **Passed unanimously.**

Respectfully submitted,

Bill Lock, Acting Secretary